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DRAFT OUTLINE FOR A REPORT ON
FOREIGN ECONOMIC INTELLIGENCE REQUIREMENTS
RELATING TO THE NATIONAL SECURITY

I. Functions of Foreign Economic Intelligence as it Relates
to the Security of the United States.

A. The uses to which economic intelligence must be put in the service of national security are of two kinds: 1) First it is necessary to foresee probable future developments and to understand the consequences of alternative U. S. courses of action as clearly as possible in order to lay plans as to the broad outlines of U. S. policy, diplomatic, economic, military, and psychological; 2) Second in implementing general policies, the agencies which are charged with conducting particular operations need much information to guide the tactics of their programs. What is needed to formulate plans and establish policies is usually of concern to all, at least, of the IAC agencies. Once responsibility for carrying out a policy is clearly assigned, however, the primary interest in the intelligence necessary to carry out this mission lies with the operating agency concerned. Both categories of intelligence are considered in this paper. However, it is the first of these that most urgently requires interdepartmental consideration.

B. In order to bring the very limited intelligence facilities both within and outside the government to bear effectively on the enormous requirements for intelligence production, it is necessary

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for the government as a whole to decide what research jobs most need to be done. The establishment of a priority program of economic research is desirable just as a guide to the planning of research activities in Washington. Beyond this, such a program should yield answers to the question of what information it is most critically important to secure from abroad with the limited field collection facilities available. The magnitude and urgency of the current foreign economic intelligence problem, together with the limited facilities for intelligence collection, processing, and production, makes it mandatory that these requirements, both for the production of intelligence and the collection of information be highly selective.

The following section (Section II) attempts a classification of urgently required economic intelligence according to the kinds of studies needed by policy makers and operators. The succeeding section (Section III) suggests ways of classifying economic research according to the techniques employed and the special skills required.

II. Foreign Economic Studies Needed in Support of National Security Policies and Operations.

A. Studies to support the formulation of plans and policies:

1. Introduction

The gravest threat to the security of the United States and the free world within the foreseeable future stems from the hostile designs and formidable power of the USSR, and from the nature of the Soviet system. At least for the immediate future, therefore, first priority should be given to economic analysis designed to throw light on the problem of strengthening the relative position of the non-Soviet

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world in the struggle against the the Soviet bloc.

To support these planning and policy functions, economic intelligence studies must consider the capabilities, the vulnerabilities, and the intentions or probable courses of action of three main groups of countries: 1) the U.S.R and its satellites; 2) the allies of the United States; and 3) those countries not now definitely aligned with either center of power but potentially contributing to the strength of one or the other.

Studies directed at the capabilities of a country or complex of countries should be designed to reveal what the key limitations are on what they can do. Vulnerability studies focus on the capacity of one power to reduce the capabilities of another by selected devices; in other words what can we do to them or they to us and how? Studies of intentions seek to uncover evidence which will be conclusive as to which of several alternative courses a country will follow.

The capabilities, vulnerabilities and intentions of the United States are outside the scope of this paper except in so far as they are affected by economic developments in foreign countries. Some of these studies, obviously, cover merely one phase of a particular problem in a single country. Others cover the whole problem or subject for an entire area. In nearly all cases both the present state of affairs and probable future trends should be considered.

The major research effort must be directed toward studies of the Soviet bloc. The paucity of both information and

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meaningful analyses on the economic situation in this area relative to that in the non-Soviet areas necessitates an intensive economic research program on this area to provide the basis for estimates essential to the proper formulation of plans and policies vital to US security interests.

The sections below outline the major areas of US foreign economic intelligence interest related to the problem of national security. Listed in each section are examples of studies that should be given priority treatment in the intelligence research effort.

2. Analysis of capabilities to engage in military action or to wage "cold war."

a. Analysis of the economic capabilities of the USSR and its satellites to engage in military action or to employ "cold war" measures against the US and its allies or against "neutrals."

- (1) Wartime Capabilities of the Soviet Bloc to Meet Essential Civilian and Military Requirements for Selected Critical Items (e.g., electronics equipment, copper, tin, aviation fuel, automotive spare parts).
- (2) Economic Capabilities of the Soviet Bloc to Develop and Produce Selected Military Items (e.g., A-bomb, H-bomb, proximity fuze, guided missiles, germ warfare agents, radar, homing devices, long-range jet bombers).

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- (3) Effect on Soviet Economic Capabilities for War of the Acquisition by the USSR of Western Europe and the Middle East.
- (4) Economic Capability of the Satellites Unassisted by the USSR to Wage War on Yugoslavia. Requirements for Soviet Assistance.
- (5) Capabilities of the Soviet Bloc to Wage Economic Warfare against non-Soviet Nations.

b. Studies of the economic capabilities of the allies of the US to jointly engage in military action or to wage "cold war" in conjunction with the US against the USSR and its satellites.

- (1) Economic Capabilities of the NATO Powers (e.g., UK, Belgium, France) to Produce Selected Military Items Under the Current Rearmament Program.
- (2) Capabilities of the Non-Soviet Nations in a Joint Mobilization Effort to Meet Essential Civilian and Military Requirements for Selected Strategic and Critical Items (e.g., sulphur, copper, lead, zinc, aluminum, coal, steel, manganese).
- (3) Importance of Western Europe and the Middle East to US Economic Capabilities for War.
- (4) Importance of the African Continent to US

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Economic Capabilities for War Including
US Atomic Capabilities.

c. Analysis of the economic capabilities of "neutrals"
to maintain their independence from the USSR and its satellites
or to support the military and "cold war" efforts of the US and
its allies.

- (1) Economic Capability of Yugoslavia to
Defend Itself Against Satellite Attack.
Significance of a Loss of the Danubian
Plain.
- (2) Comparative Economic Dependence of Iran
on the Soviet and the Non-Soviet Blocs.
- (3) Economic Dependence of Sweden on Trade
with the Soviet Bloc.
- (4) Economic Dependence of Finland on Trade
with the Soviet Bloc.

d. Analysis of the capabilities of the allies of
the US and of "neutrals" to maintain economic stability and to
develop their economies.

- (1) Capability of Selected Non-Soviet Nations
(e.g., France, UK, Italy, Germany) to
Maintain Economic Stability and to Develop
Their Economies Under the Current Rearmament
Program. Requirements for Foreign (Primarily
US) Assistance.

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(2) Economic Dependence of Japan on Trade With China and Southeast Asia. Requirements for Foreign (Primarily US) Assistance.

(3) Economic Stability of Yugoslavia. Requirements for Foreign Assistance.

3. Analysis of economic vulnerability to military attack or to "cold war" measures.

a. Analysis of the economic vulnerability of the USSR and its satellites to measures of economic warfare, psychological warfare and to military attack, including strategic bombing.

- (1) Vulnerability of the Soviet and Satellite Economies, Including China's, to Strategic Bombing with Particular Reference to Their Vulnerability to A-Bomb Attack.
- (2) Vulnerability of the Soviet Bloc to a Western Program of Economic Warfare.
Relative Vulnerability to Various Measures - Overt and Covert.
- (3) Popular Reaction in the Soviet Bloc to Psychological Warfare Program, Involving Economic Propaganda Designed to increase Dissatisfaction with the Economic System and The Government.
- (4) Vulnerability of the Soviet and Satellite Food Supply to Biological Warfare.

b. Studies of the economic vulnerability of the allies of the US to measures of economic warfare, including sabotage, psychological warfare and to military attack, including strategic bombing, with special reference to the protective measures necessary to reduce this vulnerability.

- (1) Vulnerability of the Economy of Non-Soviet Nations to Strategic Bombing, i.e., to Target Systems most Likely to be adopted by USSR.
- (2) Vulnerability to Sabotage and Similar Covert Measures of Raw Material Supplies and Production Facilities of Strategic Importance to the Joint Mobilization Effort of the Non-Soviet Nations. Protective Actions Most Effective Against Such Measures.
- (3) Vulnerability of the Non-Soviet Nations to a Soviet Bloc Program of Economic Warfare. Relative Effectiveness of Various Overt Measures.

c. Analysis of the economic vulnerability of "neutral" countries to economic, political, psychological, and military measures, with special reference to the possible influence of these measures on their alignment with and economic support for either group of powers.

- (1) Vulnerability of Selected "Neutral" Nations to Economic or Military Pressure which Might

Force Wartime Economic Alignment with the
Soviet Bloc.

4. Analysis of Probable Courses of Action as Revealed by
the Pattern of Economic Activity.

a. Analysis of probable Soviet and satellite courses
of military, political, and economic action with special
emphasis on military intentions.

- (1) Economic Activity within the USSR and
Its Satellites which Might Reveal Their
Intention to Resort to Military Action.
- (2) Patterns of Allocation of Economic Resources
for the Production of Military Items Within
the Soviet Bloc which Might Reveal the Kind
of Military Operations Contemplated.
- (3) Soviet Economic Measures With Respect to
China which Might Reveal the Extent of the
Political and Economic Integration of these
Countries.
- (4) Evidence Which Might Suggest What Target
Systems the Soviets would be likely to Adopt
for Western Europe.

b. Analysis of the effect of internal and external
developments on the Economy and the Probable Courses of
Action Prompted by those developments.

- (1) Effect of the Western Program of Export
Control on the Soviet Bloc and the Probable

Courses of Action to be Taken by the Bloc
to Offset or Retaliate Against this Program.

- (2) Effect of the Korean War and Western Export
on the Chinese Economy and the Probable
Courses of Action to be Taken as a Result
of These Effects.

c. Studies of probable allied and neutral courses of
military, political, and economic action with special refer-
ence to the extent of their alignment with and support for
programs and measures affecting the security of the US.

- (1) Economic Activity of the Non-Soviet Nations
Which Reveals the Extent of Their Support
for the Program of Export Controls Against
the Soviet Bloc.

d. Analysis of the effect of internal and external
developments on the Economy and the probable courses of
action prompted by these developments.

- (1) Effect of the Rearmament Program on The
Economies of the NATO Powers and the Probable
courses of Action to be Taken by Individual
Nations to Improve their Own Economic Position.
- (2) Effect of Raw Material Shortages on the Non-
Soviet Nations and the Probable Courses of
Action of these Nations to Alleviate These
Deficiencies.

B. Studies for Use in Support of Operations or in Implementation of Existing US Government Plans.

1. Introduction

Military, political and economic operations require a large volume of economic intelligence reports designed specifically to support such operations. The major part of these reports contain very current and detailed economic intelligence evaluated against the background of basic studies of capabilities, vulnerabilities and intentions prepared for policy and planning purposes. Although for intelligence purposes the general areas of interest are well known, the specific requirements are usually determined during the course of the operations on an ad hoc basis.

2. Economic reports in support of military plans and operations:

a. Reports on the logistical capabilities of the USSR and its satellites during the specific operations.

b. Reports on strategic and tactical targets within areas controlled by the USSR and its satellites during specific operations.

c. Reports relating to logistical support for US and allied forces during specific operations.

d. Reports on economic conditions bearing on the maintenance of law and order and the prevention of disease and unrest in areas under US and allied military control.

3. Economic reports in support of current US and allied psychological and diplomatic measures to weaken the USSR and its satellites or to strengthen the allies of the US and "neutrals." This applies both during wartime and during the "cold war."

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4. Economic reports in support of US and allied economic warfare measures (overt and covert) to weaken the USSR and its satellites. This applies both during wartime and during the present "cold war."

5. Economic reports in support of current US and allied programs of economic assistance and joint mobilization for defense. This also includes support for economic programs designed to secure the alignment and support of neutral nations.

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III. Kinds of Economic Intelligence.

The preceding section attempts to describe requirements for foreign economic intelligence in terms of the problems to which solutions are urgently needed. This section suggests various categories of skills and techniques which need to be employed by the Government in exploiting economic data to secure answers to the questions posed in II.

A. Information collection.

1. The library function. Procurement, classification and dissemination to analysts of data and documents publicly available, such as foreign government reports, newspapers, private studies, etc.

2. Overt exploitation of knowledge in the heads of experts and persons with special experience of foreign economies, both in this country and abroad. The technique employed will normally be that of the interview or the solicited personal report. This includes

- a. Interviewing of defectors
- b. Interviewing of US industrial technicians on probable foreign techniques
- c. Interviewing of foreigners, e.g., industrialists and technicians in West Germany formerly engaged in commercial or technical relations with Soviet orbit enterprises

3. Collection of physical objects for analysis to determine production methods, levels of output, etc.

- a. Captured military equipment
- b. Exports of consumer or capital goods from Soviet orbit countries.

4. Map collection.

5. Procurement and assembly of photographic materials.

6. Collection of information, data, documents, maps, photos, equipment etc. by covert means.

B. Analysis of physical facilities. Detailed study of people with engineering competence of the location, characteristics, capacities, and vulnerabilities of particular plants, mines, transport systems, communication nets, power grids, storage warehouses, etc.

C. Analysis of individual commodities, industries and services. Study by analysts expert in the economics of particular commodities and industries of inputs required and available, outputs required and available, levels of inventory, variations of requirements and of supplies under alternative assumptions, trends in production, capacity, productivity and productive techniques, and foreign trade in the commodity in question.

D. Economic structure and patterns of resource use. Analysis of levels of economic activity and of the relations between industries and sectors of the economy by persons trained primarily in general economic theory.

1. Analysis of national income and product, its composition by industrial sector, by military and civilian output, by consumption and investment, by private and public output, etc.

2. Preparation and analysis of index numbers of industrial production, price levels, standards of living, etc.

3. Analysis of domestic and foreign financial transactions, banking, money supply, etc.

4. Patterns of international trade and services, balances of trade and payments, etc.

5. Analysis by Leontieff or linear programming techniques of input-output relations in whole economics or sectors of economies.

E. Institutional framework of economic activity. Study by people with some training in history, political science, or public administration and specialized knowledge of particular geographic areas, with language competence. This would include economic organizations and institutions, patterns of behavior peculiar to regions or countries, the locus of economic decision-making and the chain of communication of decision, etc.

F. Special techniques and methods.

1. Statistical analysis of serial numbers.

2. Analysis of characteristics of captured equipment for evidence as to production methods, etc.

3. Analysis of photographic materials.